

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 XMB-04

OPIC-06 /117 W

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P 121720Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2141

UNCLAS SECTION 01 OF 02 PARIS 20825

E.O. 11652: N/A

TAGS: EFIN, EINV, FR

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A) STATE 165596; B) PARIS 9042 (1974); C) PARIS
1498 (1974); D) PARIS 10694 (1973)

1. THE FOLLOWING TEXT SHOULD BE SUBSTITUTED FOR THOSE
PROVIDED REFS B AND C.

FRANCE

A MORE RECEPTIVE OFFICIAL ATTITUDE TOWARDS
FOREIGN INVESTMENT IN FRANCE HAS PREVAILED SINCE ABOUT
1970. EXCEPT FOR ONE CASE STILL PENDING, EMBASSY KNOWS
OF NO REFUSALS SINCE 1971. LATEST OFFICIAL FIGURES FOR
1973 SHOW AN INCREASE OF SOME 50 PERCENT IN NET INFLOWS
OF DIRECT INVESTMENT CAPITAL OVER PREVIOUS YEAR.

FOREIGN INVESTMENT IN FRANCE REMAINS SUBJECT TO
GOVERNMENT APPROVAL, ALMOST ALWAYS GIVEN PROMPTLY. THE
GOVERNMENT IS PARTICULARLY RECEPTIVE TO INVESTORS WHO
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BRING NEW TECHNOLOGY OR FINANCING CAPACITY OR CREATE
EXPORT POSSIBILITIES. ON THE OTHER HAND, FOREIGN
INVESTMENT IS RESTRICTED FROM THE NATIONALIZED SECTORS
AND STRICTLY CONTROLLED IN SUCH SENSITIVE SECTORS AS

PHARMACEUTICALS, TRANSPORTATION AND DEFENSE EQUIPMENT. FURTHERMORE, THE FRENCH GOVERNMENT CONTINUES TO OPPOSE WHAT IT CONSIDERS TO BE "FOREIGN DOMINATION" IN ANY GIVEN INDUSTRY. IN RECENT YEARS, THIS CONCERN HAS INCLUDED ELECTRONICS AND PAPER.

LEGALLY, THERE IS NO DISCRIMINATION BETWEEN FOREIGN AND LOCALLY OWNED ENTERPRISES ESTABLISHED IN FRANCE. FRANCE HAS A VERY ARTICULATED INDUSTRIAL POLICY: WHILE ABOUT 4/5 OF OFFICIAL FINANCIAL INCENTIVES, INCLUDING PROCUREMENT AND ASSISTANCE FOR RESEARCH AND DEVELOPMENT, GO TO NATIONALIZED ENTERPRISES, IT IS PROBABLE THAT SOME OF THE REMAINING 20 PERCENT IS USED TO STRENGTHEN "NATIONALLY OWNED" FIRMS OR TO PROMOTING MERGERS AMONG THEM OR WITH EUROPEAN ENTERPRISES.

NO SPECIAL TARIFF PREFERENCES ARE GRANTED NEW INDUSTRIES IN FRANCE. OFFICIAL REGIONAL DEVELOPMENT PROGRAM ENCOURAGES NEW INVESTMENT IN PRODUCTION AND SERVICE FACILITIES WITHIN DESIGNATED AREAS, PARTICULARLY IN WEST AND SOUTHWEST OF FRANCE AND IN NORTHERN BORDER REGIONS. A JOB CREATION TEST IS APPLIED FOR ELIGIBILITY BUT THERE IS NO TEST OF OWNERSHIP OR EXPORT INTENTION. INCENTIVES INCLUDE DIRECT GRANTS, LOANS, TAX BENEFITS AND AIDS TO LAND PURCHASE. AGREEMENTS SPECIFICALLY PERTINENT TO AMERICAN INVESTORS IN FRANCE INCLUDE THE CONVENTION OF ESTABLISHMENT SIGNED BY THE TWO GOVERNMENTS IN 1959 AND A DOUBLE TAX CONVENTION SIGNED IN 1957. FRANCE IS A SIGNATORY OF THE PARIS UNION INTERNATIONAL INDUSTRIAL PROPERTY CONVENTION AND THE UNIVERSAL COPYRIGHT CONVENTION.

THE FRENCH ECONOMY ENTERED A MAJOR RECESSION IN THE FALL OF LAST YEAR, FROM WHICH IT IS NOT EXPECTED TO RECOVER FULLY UNTIL WELL INTO 1976. UNEMPLOYMENT HAS REACHED RECORD POSTWAR HIGHS. INDUSTRIAL PRODUCTION IS AT ITS LOWEST POINT IN 3 YEARS, AND NEW CORPORATE INVESTMENT IS EXPECTED TO DECLINE IN 1975 OVER PREVIOUS YEAR'S LEVELS. THUS FAR, SUBSIDIZED LOANS AND TAX CREDITS TO PROMOTE INVESTMENT HAVE HAD ONLY LIMITED SUCCESS -- NEW MEASURES, SOME OF WHICH ARE ALSO LIKELY TO BE IN THE INVESTMENT PROMOTION AREA, WILL BE ANNOUNCED IN SEPTEMBER. PRESENT ECONOMIC CONDITIONS INFLUENCE GOVERNMENT ATTITUDES TOWARDS FOREIGN COMPANIES IN TWO WAYS: THE WELCOME MAT FOR NEW INVESTMENTS IS BIGGER THAN EVER -- BUT A FEW AMERICAN COMPANIES HAVE BEEN PUT UNDER SUBSTANTIAL OFFICIAL PRESSURE TO MAINTAIN EMPLOYMENT, EVEN IN THE FACE OF DEMONSTRABLE LOSSES AND DIM FUTURE PROSPECTS.

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2. ABSENCE OF INFORMATION ON STOCK OF FOREIGN INVEST-

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P 121720Z AUG 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 2142

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MENT IN FRANCE (REF C AND D) CONTINUES TO APPLY. NET INFLOWS OF FOREIGN CAPITAL INTO FRANCE, AS REPORTED IN BALANCE OF PAYMENTS STATISTICS (AND THEREFORE EXCLUSIVE OF REINVESTED LOCAL PROFITS) SHOW FOLLOWING (IN BILLIONS OF FRANCS).

1973 CUMULATIVE 1962-1973

UNITED STATES	0.8	6.9
SWITZERLAND	0.5	3.2
NETHERLANDS	0.7	2.4
BELGIUM	0.4	2.1
UNITED KINGDOM	1.2	2.8
F.R. GERMANY	0.6	3.4
OTHER	0.7	3.6

TOTAL 4.9 24.4

ALL FIGURES ARE POSITIVE.

3. BRITISH EMBASSY REPORTS THAT RATHER SPECTACULAR

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GROWTH IN U.K. INVESTMENTS IN 1973 WAS DUE TO REAL ESTATE PURCHASES, AND THAT THERE HAS SINCE BEEN SUBSTANTIAL DISINVESTMENT IN THIS AREA. OTHER

INVESTMENT IS CONSIDERED TO BE EXPANDING AT AN
ESSENTIALLY REGULAR PACE.
GAMMON

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